

Public Meeting

Utah Committee of Consumer Services

Utah Department of Commerce

May 9, 2007

Administrative Matters

Dee Jay Hammon

Public Comment

Update: GSS/EAC Tariff

Michele Beck

Commission Order

- On April 24th, the Commission issued its Order, along with a press release
- The Order denied the stipulation
 - Stated level of evidence not met
 - Cited issues such as cost causation and fairness in rates
 - Offered alternative solutions such as refinancing and legislative action

Committee Staff Reaction

- The Order referenced some of the issues important to the Committee (cost causation and fairness of rates)
 - Conclusion still points to a rate case
- It appears that not all of our points were well understood
- Our primary concerns about the Order are process oriented

CET Update

Dan Gimble

CET Settlement

- CET Mechanism 1-Year Pilot
- Lost Revenue Recovery limited to 1% of total GS Revenues (capped @ \$8M)
- QGC commits to develop residential and commercial DSM Programs for at least 3 years
- 8-month period to explore CET alternatives

DSM Programs

- 1st year budget -- \$7 M
- CCS staff has actively participated in DSM stakeholder meetings
- Questar's DSM programs have ramped up quickly and appear to be well received
- Key issue relates to monitoring and verification of estimated DSM program savings

CET Mechanism

- CET Deferral Account Balance
 - Initial credit of \$1.1 M per Settlement
 - Currently a debit of \$850,000
- CET monthly entries show significant swings despite stable natural gas prices and strong local economy
- Questar may propose changes to address the monthly fluctuations in the account

April 19th Technical Workshop

- Questar indicated it will request continuation of the CET
- DPU indicated it will likely support continuation of the CET
- CCS staff stated that it:
 - 1) supports cost-effective DSM programs,
 - 2) does not support continuation of CET, and
 - 3) recommends other approaches to revenue uncertainty due to declining use per customer trend and DSM programs

Committee Staff Concerns

- CET (decoupling) is a significant departure from traditional regulation
- CET provides Questar with a cost-free revenue hedge
- Lost revenues due to DSM programs are minimal
- Other mechanisms exist to remove utility barriers to promoting DSM programs
- Questar's earnings have been relatively stable in recent years

Decoupling Is Not Pro-Consumer

- Decoupling shifts risks from the company to the consumer
 - In this case, no adjustments to rate of return to reflect change in risk profile
- Decoupling addresses issues beyond usage changes due to conservation
- ELCON issued a position statement opposing decoupling mechanisms
- NASUCA may issue a position statement opposing decoupling mechanisms

Other Solutions Are Available

- DSM Lost Revenues—lost revenue recovery limited to DSM programs
- Future Test Years—adjust revenues for estimated energy efficiency savings
- Repression Adjustments—adjust revenues in historic test year for energy efficiency savings
- Direct Incentives—performance-based incentives for meeting DSM program targets
- Frequent Rate Cases—last Questar general rate case was in 2003



CET Schedule & Next Steps

- Schedule
 - Direct testimony due on June 1, 2007
 - Commission hearings by or on September 14, 2007
- Next Steps
 - Committee discussion and direction

2006 Review of Questar's Gas Costs (McFadden Report)

Eric Orton

Basics of Report

- Objective: to review all aspects associated with the costs included in the Questar's Pass-Through filing.
- Study began 5/6/05
- Draft report sent to staff on 10/23/06

What did we learn?

- The final product was not what we expected
 - Too much glossy report, not enough substance
 - Equal weight to significant and superficial issues
- Staff reviewed the report and pulled out several key issues
 - Some issues require further inquiry

Next Steps

- Staff will pursue the issues in other venues, rather than work for a final version of the report.
- Meeting is scheduled to share information with DPU.
- Staff will integrate the issues into our analysis of other ongoing utility filings.

Questar's Semi-Annual Pass Through Filing

Eric Orton

The News is ... No News

- Gas Prices
 - Forecast \$7.27
 - Current \$7.12
- 191 Balance
 - Forecast \$0
 - Current \$50 million
- Increase in the price, decrease in the balance--net zero



Rocky Mountain Power Service Quality Issues

Michele Beck

Committee Prior Involvement

- Utah Storm 2003
 - Service Quality Task Force
 - Williams Report
 - Committee Recommendations
- 2006 Rate Case
 - CCS argued, and Company agreed, for certain benchmarks of distribution maintenance

Ongoing Processes

- DPU hiring Williams to do follow up study
 - Committee staff will review and provide input for scope of study
- Individual Complaints
- Potential attention at the legislature

Committee Staff Involvement

- Provide assistance to individuals consistent with statutory duty
- Monitor all ongoing processes for evidence of problems requiring action
- Track progress regarding distribution maintenance in next rate case
- Evaluate potential need to bring in our own experts

Climate Change

Cheryl Murray

Introduction

- Today is the first of a series of discussions
- We are not requesting specific action at this time.
- These issues will be important to future decisions.

Policy Development in Early Stages

- Federal initiatives to address climate change are being considered (e.g. emission limits and renewable standards)
- Governor Huntsman has shown serious interest
 - Energy policy includes participation in the EPA Clean Energy Environment State Partnership
 - Advisory council with express charge to consider the science , economics and policy around climate change
 - Goal is efficiency improvement of 20% by 2020
 - Talk of future renewable initiatives

Potential Rate Impacts

- The trend is toward policy that mandates mitigation of environmental impacts
- Regulations will certainly impact the utility planning process and resource selection
- These changes will impact the costs of new resources and also (potentially) the costs of existing resources
- The costs impacts will translate into rate changes for our constituent consumers
- Utah energy users may also be expected to change consumption patterns and adapt to changes in the utility's operations



Future Discussions

- This issue will be further considered at additional Committee meetings. The topics will include:
 - Specific types of policy changes that we may face
 - How these changes could impact rates and the kind of analysis we pursue

Today's Speaker

- David Chapman, Ph.D.
 - Dean, The Graduate School, University of Utah
 - Associate Vice President for Graduate Studies
 - Professor of Geology and Geophysics

Other Business/Adjourn
